

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 XMB-02 /104 W
-----095961 191349Z /12

P R 191055Z DEC 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 9893
INFO AMCONSUL ADANA POUCH
AMEMBASSY ATHENS
AMEMBASSY ZONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY LONDON
AMEMBASSY NICOSIA
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 9168

USEEC

USOECD

E.O. 11652: GDS
TAGS: EAID, ECON, EFIN, OECD, TU
SUBJECT: ECONOMIC ASSISTANCE TO TURKEY: OECD CONSORTIUM FOR
TURKEY

REFS: (A) STATE 138603, (B) PARIS 35943 (NOTAL)

SUMMARY: DURING HIS VISIT TO ANKARA LAST WEEK, WILHELM
GIEL, PRESIDENT OF OECD CONSORTIUM FOR TURKEY, FOUND TURKS
IN FAVOR OF MEETING OF CONSORTIUM MEMBERS IN SECOND HALF
OF MARCH. GIEL, WHO IS PROPOSING THE MEETING SUBJECT
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TO MEMBERS' APPROVAL AND ON CONDITION THAT TURKEY AND
IMF HAVE BY THEN SIGNED STANDBY CREDIT AGREEMENT AND
INTERNATIONAL BANKS HAVE BEGUN RELENDING, SUGGESTS THAT
CONSORTIUM CONFINE ITS DISCUSSIONS AT THAT TIME TO
MEASURES WHICH GOVERNMENTS CAN UNDERTAKE ON THEIR OWN
AUTHORITY WITHOUT NEED FOR PARLIAMENTARY APPROVAL. HE
PLANS TO VISIT WASHINGTON IN FEBRUARY TO OBTAIN US VIEWS.

IN THE MEANTIME, GIEL WOULD APPRECIATE INFORMATION ABOUT
USG CAPACITY TO PROVIDE EXPORT GUARANTEES. END SUMMARY.

1. E/C COUNSELOR MET FOR HOUR DECEMBER 16 WITH WILHELM
GIEL, PRESIDENT OECD CONSORTIUM FOR TURKEY AT CONCLUSION
OF LATTER'S VISIT TO ANKARA. GIEL SAID THAT TURKS FAVOR
IDEA OF HOLDING A MEETING OF OECD CONSORTIUM FOR TURKEY
SOMETIME DURING SECOND HALF OF MARCH, AS HE WAS SUGGESTING.
GIEL THOUGHT THAT NECESSARY CONDITIONS OF SUCH A MEETING
WOULD BE THAT (A) TURKISH GOVERNMENT HAD COME TO AGREE-
MENT WITH IMF ON TERMS OF STANDBY CREDIT ARRANGEMENT, AND
(B) INTERNATIONAL BANKS HAD TAKEN SOME INITIATIVE TOWARD
RESUMING CREDITS TO TURKEY.

2. GIEL WAS AWARE THAT UNDER PRESENT CIRCUMSTANCES IT
WAS NOT REASONABLE FOR US ADMINISTRATION TO ASK CONGRESS
FOR AID FUNDS FOR TURKEY. HE FELT THAT OTHER GOVERNMENTS
WOULD ALSO HAVE DIFFICULTY IN TAKING ANY MEASURES THAT
REQUIRED LEGISLATIVE ACTION BETWEEN NOW AND END OF
MARCH. THEREFORE, HE WAS PROPOSING THAT CONSORTIUM
MEETING IN MARCH CONSIDER ONLY THOSE MEASURES WHICH
GOVERNMENTS CAN TAKE WITHOUT PARLIAMENTARY AUTHORIZATION.
HE WAS, FOR EXAMPLE, THINKING IN TERMS OF PAYMENTS
GUARANTEES THAT GOVERNMENTS COULD PROVIDE THEIR OWN
EXPORTERS SO THAT TURKEY COULD CONTINUE TO IMPORT THE
NECESSARY RAW MATERIALS AND PARTS NEEDED TO PREVENT
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WORSENING OF SHORTAGES. HE ALSO THOUGHT THAT GOVERN-
MENTS MIGHT BE ABLE TO COOPERATE WITH BANKS IN THEIR
OWN COUNTRIES TO EFFECT A TRANSFER OF ALL KINDS OF
SHORT-TERM CREDITS OUTSTANDING TO TURKEY INTO THE MEDIUM
AND LONG TERM. ULTIMATELY HE HOPED THAT THE CONSORTIUM
WOULD BE ABLE TO GIVE CREDITS TO TURKISH CENTRAL BANK.

3. GIEL SAID THAT BETWEEN NOW AND MIDDLE OF MARCH HE
PLANNED TO VISIT CONSORTIUM MEMBER COUNTRIES TO START
THEM THINKING IN THESE DIRECTIONS IN ORDER THAT THEY
WOULD BE PREPARED TO SAY AT A MARCH MEETING WHAT ACTIONS
THEY COULD TAKE TO HELP TURKEY. TO THAT END, HE PLANS
TO VISIT BONN IN THE MIDDLE OF THIS WEEK, AND HOPES TO GO
TO WASHINGTON IN FEBRUARY. GIEL SAID THAT HE WOULD LIKE
TO HAVE THE VIEWS OF THE FEDERAL REPUBLIC OF GERMANY AND
THE UNITED STATES BEFORE TALKING TO SMALLER CONSORTIUM
MEMBERS.

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4. COMMENT. AS NOTED IN REFTEL, MR GIEL IS ENTHUSIASTIC ABOUT HAVING A CONSORTIUM MEETING IN MARCH. HE APPRECIATES THAT FRG ANS US WOULD HAVE TO BE BEHIND IDEA. HE FEELS STRONGLY AND CORRECTLY THAT TURKEY IS IN ACUTE FINANCIAL DIFFICULTIES BUT HE DID DISPLAY A SOMEWHAT SENTIMENTAL VIEW ABOUT THESE. GIEL BELIEVES THAT THEY ARE MAINLY NOT OF TURKEY'S MAKING BUT HAVE BEEN IMPOSED UPON THE COUNTRY FROM THE OUTSIDE; HE MENTIONED ESPECAILLY THE IMPACG OF THE OIL PRICE RISES. WHILE EMBASSY BELIEVES THAT HIGHER OIL PRICES ARE THE CHIEF EXTERNAL FACTOR RESPONSIBLE FOR TURKEY'S SERIOUS BALANCE OF PAYMENTS PROBLEMS, THERE IS NO
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DOUBT IN OUR MINDS THAT THE PRINCIPAL OVERALL BLAME FOR CURRENT TURKISH ECONOMIC PROBLEMS LIES WITH WEAK ECONOMIC MANAGEMENT THAT HAS PERMITTED THE COUNTRY TO LIVE BEYOND ITS MEANS FOR SEVERAL YEARS, AND WITH YEARS OF INVESTMENT

DECISIONS FAVORING IMPORT SUBSTITUTION THAT HAVE RESULTED IN SERIOUS STRUCTURAL PROBLEMS. GIEL DOES INSIST, HOWEVER, THAT A TURKISH AGREEMENT WITH THE IMF AND EVIDENCE OF RESTORED CONFIDENCE IN TURKEY BY THE INTERNATIONAL BANKS WOULD HAVE TO BE PRECONDITIONS FOR DISCUSSIONS WITHIN THE CONSORTIUM. THESE DEVELOPMENTS COULD ONLY COME ABOUT AFTER TURKEY HAD TAKEN THE NECESSARY ECONOMIC REFORM MEASURES TO DEMONSTRATE ITS NEW CREDITWORTHINESS TO THE FUND AND THE BANKS.

5. EMBASSY IS AWARE THAT GIEL RECEIVED LITTLE ENCOURAGEMENT IN WASHINGTON LAST JUNE (REF A). CITING ONCE MORE THE EXAMPLE OF HERMES, GIEL ASKED AGAIN WHETHER THE UNITED STATES COULD PARTICIPATE IN A PROGRAM OF EXPORT GUARANTEES TO AID TURKEY. ON THIS POINT, EMBASSY WOULD APPRECIATE EXIMBANK'S AMPLIFICATION OF LAST SENTENCE, PARA 5, REF A, WHICH STATES THAT IN JUNE EXIMBANK OFFICIALS MADE CLEAR TO GIEL THAT THE BANK COULD NOT PLAY SUCH A ROLE UNDER EXISTING QUOTE POLICY UNQUOTE. DOES THAT STATEMENT MEAN THAT THE BANK HAS DISCRETION TO ENLARGE ITS CAPACITY FOR EXPORT GUARANTEES IN THE CASE OF TURKEY (AFTER GOT HAD UNDERTAKEN ECONOMIC REFORMS, MET IMF TERMS FOR FUND CREDITS, AND WAS RECEIVING NEW FOREIGN LOANS)? PLEASE INFOR REPLY TO US OECD PARIS, MR MALLY, TO WHOM GIEL MAY APPLY FOR FURTHER INFORMATION ABOUT US EXPORT GUARANTEE CAPACITY.
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Disposition Case Number: n/a
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